

L E A S E

This Lease is made this 1st day of January 1999, by and between the KINGMAN AIRPORT AUTHORITY, INC. an Arizona corporation ("Lessor"), and GUARDIAN AIR, an APPLIANT division of Flagstaff Medical Center, an Arizona non-profit corporations ("Lessee").

AND KINGMAN REGIONAL MEDICAL CENTER

Recitals

A. Lessor has authority to enter into agreements concerning the use of the premises hereunder, pursuant to the Third Amendment and Restatement of Lease Agreement entered into between the City of Kingman, as lessor, and the Mohave County Airport Authority, Inc., as lessee, dated January 20, 1992, and the Assignment Agreement entered into between Mohave County Airport Authority, Inc. and Kingman Airport Authority, Inc. dated June 18, 1992.

B. Lessee desires to lease the Leased Premises (defined below) from the Lessor.

Agreement

In consideration of the conditions and covenants hereafter set forth and for the rents reserved herein, it is mutually agreed as follows:

1. Leased Premises. Lessor hereby leases to Lessee, and Lessee agrees to take and let from Lessor, that real property consisting of a vacant lot of approximately 5,928 square feet located at 7010 Flightline Drive, Kingman Airport, Mohave County, Arizona, said real property being more fully described by Exhibit "A" attached hereto and by reference made a part hereof (the "Leased Premises").

2. Term. The term of this Lease shall be on a month to month basis, commencing January 1, 1999 and continuing thereafter until terminated by either party hereto.

3. Rent. Lessee agrees to pay to Lessor as rent for the Leased Premises the following amounts:

A. The sum of FIFTY DOLLARS (\$50.00) per month, payable in advance on the first (1st) day of each and every month during the Term of this Lease, commencing on the first (1st) day of January, 1999.

B. Additional rent as follows (the "Additional Rent"):

(1) THIRTY FIVE DOLLARS (\$35.00) per month for each aircraft of Lessee based at the KINGMAN AIRPORT. An aircraft shall be considered "based" at the KINGMAN AIRPORT if it has been parked at the KINGMAN AIRPORT over night at any time during a monthly rental period; and,

(2) FIVE AND 25/100 DOLLARS (\$5.25) for each landing of aircraft by Lessee during the monthly rental period.

At the end of each month Lessor will send a blank bill for the Additional Rent which Lessee shall complete by filling in the number of Lessee's aircraft based at the KINGMAN AIRPORT, the number of aircraft landed by Lessee during the monthly rental period and the total Additional Rent due. Lessee shall deliver the completed billing and the Additional Rent to Lessor by the tenth (10th) day of each month. Lessor shall have the right to inspect and audit Lessee's records as provided in Paragraph 25 of this Lease.

C. All taxes levied or assessed upon Lessee's fixtures, furnishings, equipment or other personal property located in or upon the Leased Premises, including improvements thereto, and all taxes arising out of the use of the Leased Premises, and/or arising out of the operation of this Lease. Such taxes shall include, but not be limited to, personal property taxes, possessory interest taxes, sales taxes and/or any like tax levied, assessed or imposed by the United States, the State of Arizona, Mohave County, or any political subdivision.

D. Lessee hereby acknowledges that late payment by Lessee to Lessor of the rents due hereunder will cause Lessor to incur costs not contemplated by this Lease, the exact amount of which will be extremely difficult to ascertain. Such costs include, but are not limited to, processing and accounting charges.

Accordingly, if any monthly payment of rents or any other sum due from Lessee hereunder shall not be received by Lessor or Lessor's designee on or before the time set forth herein for the payment thereof, then said amount shall be deemed past due, and Lessee shall pay to Lessor a late charge equal to Thirty-five Dollars (\$35.00) for each late payment of rent. Lessor and Lessee hereby agree that such late charge represents a fair and reasonable estimate of the cost that Lessor will incur by reason of any such late payment of Lessee. Acceptance of any such late charge by Lessor shall in no event constitute a waiver of Lessee's default with respect to such overdue amount, nor prevent Lessor from exercising any of the other rights and remedies granted hereunder.

4. Use of Leased Premises. Lessee may use the Leased Premises to place a modular building thereon to house Lessee's nurses and flight crews for Lessee's air ambulance service, and may use the Leased Premises for other activities necessarily incidental thereto. Any other uses not directly incidental to the uses permitted hereunder are hereby prohibited without the express written consent of Lessor.

5. Improvements. Any and all improvements placed upon the Leased Premises by Lessee shall be made at the sole expense of Lessee. At the expiration or termination of this Lease, for any reason, all permanent improvements to the Leased Premises shall become the property of the City of Kingman. Permanent improvements and/or alterations to the Leased Premises will hereby be prohibited without the express written consent of Lessor, which consent shall not be unreasonably withheld.

6. Insurance. Lessee shall acquire and keep in effect adequate bodily injury liability and property damage insurance and all other insurance needed or required for the operations of Lessee as contemplated by this Lease, covering all of Lessee's employees and equipment, and shall indemnify and hold Lessor harmless from any causes of action arising from Lessee's operations hereunder. In all the above policies, Lessor and The City of Kingman shall be named as additional insureds with the Lessee. For the Term of this Lease such policies shall not be for less than the amount of One Million Dollars (\$1,000,000.00) combined single limit for bodily injury and property damage. All such policies shall be placed with a reputable company approved by the Lessor. Copies of all such policies or certificates of insurance shall be delivered to the Lessor within ten (10) days after the execution of this Lease and shall be held for the benefit

of the parties as their respective interests may appear. The amount of said insurance shall not be deemed as a limitation of Lessee's agreement to save and hold the Lessor harmless, and if Lessor or Lessee becomes liable for an amount in excess of the insurance, Lessee will save and hold Lessor harmless for the whole thereof. Copies of policies or certificates of insurance of all such policies entered into after the commencement of this Lease shall be delivered to the Lessor within ten (10) days of the commencement of each such policy. In addition to the above-named policies, and under the same obligations to deliver copies of said policies or certificates of insurance to Lessor, Lessee shall obtain fire insurance and other property loss insurance on all improvements placed upon the Leased Premises, in an amount equal to the value of said improvements.

7. Utilities. Lessee shall pay promptly and prior to any delinquency any and all charges which may be incurred for water, gas, electrical power, telephone and any other utilities delivered to or used upon the Leased Premises during the Term, and any renewal or extension thereof, and shall hold Lessor harmless therefrom.

8. Assignment and Sublease. Lessee shall not transfer, assign or sublet this Lease or any privileges granted hereunder without prior written approval of Lessor. Upon any assignment or sublease, this Lease is voidable at the option of the Lessor, which option may be exercised within a reasonable period subsequent to the Lessor obtaining actual knowledge of any assignment or sublease. In the event of a transfer, assignment or sublease of this Lease, Lessee shall pay to Lessor an amount equal to Lessor's attorneys' fees and costs arising out of such transfer, assignment or sublease; said attorneys' fees and costs shall be no less than the sum of Two Hundred Fifty Dollars (\$250.00). Regardless of Lessor's consent, no subletting or assignment shall release Lessee of Lessee's obligation or alter the primary liability of Lessee to pay the rent and to perform all other obligations to be performed by Lessee hereunder. The acceptance of rent by Lessor from any other person shall not be deemed to be a waiver by Lessor of any provision hereof. Consent to one assignment or subletting shall not be deemed consent to any subsequent assignment or subletting.

9. Waste and Nuisance Prohibited. During the Term of this Lease, and any renewals or extensions thereof, Lessee shall comply with all applicable laws affecting the Leased Premises.

Lessee shall not commit, or permit, any waste or nuisance on the Leased Premises.

10. Environmental Laws. Without limiting the foregoing, Lessee shall comply with all present and future federal, state and local laws, ordinances, orders, rules and regulations relating to environmental matters (collectively, "Environmental Law"), and shall defend, indemnify and hold harmless Lessor and Lessor's present and future officers, directors, employees and agents from and against all claims, demands, liabilities, fines, penalties, losses, costs and expenses, including but not limited to costs of compliance, remedial costs, clean-up costs and reasonable attorneys' fees, arising from or related to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling, or the emission, discharge, release or threatened release into the environment, of any pollutant, contaminant or hazardous or toxic material, substance or matter (as those terms are defined under any Environmental Law) from, on or at the Leased Premises as a result of any act or omission on the part of Lessee. Lessee's indemnification obligations shall survive the expiration or termination of this Lease.

11. Care of Leased Premises. At Lessee's own expense, Lessee shall keep and maintain the Leased Premises and the immediate surrounding areas clean, neat, safe and orderly at all times. Furthermore, Lessee hereby assumes all responsibilities for maintenance, upkeep and repairs of all walls, roofs, plumbing, heating and cooling, appliances and/or fixtures in connection with said Leased Premises during the term of this Lease, or any extensions thereof. Upon the expiration of this Lease, or at the termination of this Lease for any reason, Lessee shall redeliver the Leased Premises in good order and condition, reasonable wear and tear excepted. Lessee hereby acknowledges that Lessee has examined the Leased Premises and accepts the same in its condition as of the commencement date of this Lease.

12. Inspection of Leased Premises. To the extent necessary to protect the rights and interests of Lessor, Lessor and its agents shall at any reasonable time, by appointment, have the right to inspect the Leased Premises during the life of this Lease.

13. Waiver of Performance. The waiver by Lessor of, or the failure by Lessor to take action with respect to any breach of any term, covenant or condition herein contained shall not be deemed a waiver of such term, covenant or condition or subsequent

breach of same, nor shall the acceptance of rent by Lessor be deemed a waiver of any preceding breach under this Lease.



14. Disputes - Attorneys' Fees. In the event that either party hereto shall institute and prevail in any action or suit for the enforcement of any of its rights hereunder, the prevailing party in said action or suit shall be awarded its reasonable attorneys' fees and costs arising therefrom.

15. Notices. Any notice desired or required to be served by either party upon the other or any notice provided for in this Lease shall be in writing and shall be deemed given upon hand-delivery or, if mailed, three (3) business days after being deposited in the United States mail, certified, return receipt requested, to the party to whom addressed, as set forth hereinbelow:

Lessor: KINGMAN AIRPORT AUTHORITY, INC.
7000 Flightline Drive
Kingman, AZ 86401

With a copy to:

BRUNO, BROOKS & GOLDBERG, P.C.
730 East Beale Street
Kingman, AZ 86401

 Lessee:  KRMG-GUARDIAN AIR
P.O. Box 1905
Flagstaff, AZ 86002

Any party may change the address to which notice shall be delivered or mailed by notice duly given.

16. Termination Without Cause. Lessor or Lessee may terminate this Lease without cause by giving the other party a minimum of thirty (30) calendar days advance written notice of such termination.

17. Breach.

A. (1) If at any time the rental or any money payments hereunder, or any part thereof, shall remain unpaid for a

period of **five [5]** days after the same become due; or (2) if Lessee is adjudged bankrupt; or (3) if Lessee abandons and/or discontinues operations at the Leased Premises; or (4) if Lessee shall fail to fulfill or perform or is in default of any of the other agreements or provisions hereunder [except for the non-payment of rent, which shall be controlled by Subparagraph A.(1) hereinabove] and if Lessee does not cure and completely remedy any said default within ten (10) days after written notice is given, then Lessor may exercise the rights and remedies pursuant to Subparagraphs B. and C. herein.

B. Upon the happening of any of the events mentioned in Subparagraphs A.(1), (2), (3) and/or (4) above, Lessee shall be deemed in default hereunder, and upon such default and at any time thereafter, Lessor may collect by suit or otherwise each installment of rent, together with other sums as they may become due hereunder, or enforce by suit or otherwise any other condition or provisions hereof on the part of the Lessee required to be kept or performed. Lessor shall have and is hereby granted the right to re-enter the Leased Premises, remove all persons therefrom, take possession of all equipment, fixtures and personal property thereon or therein belonging to Lessee. Further, Lessor shall be entitled to exercise any other rights or remedies as provided under applicable law. In addition to the above, Lessor shall be entitled to recover from Lessee, and Lessee shall pay to Lessor an amount equal to all expenses, if any, including reasonable attorneys' fees incurred by Lessor in recovering possession of the Leased Premises, and all reasonable costs and charges for the care of the Leased Premises.

C. Each and every term, covenant and condition contained in this Paragraph shall be deemed separate and independent, and all remedies hereinabove stated shall be deemed cumulative to any and all remedies Lessor might have under this Lease or in accordance with law.

18. Correction of Breach. Lessor may correct any breach or default by the Lessee of which the Lessee has received written notice by certified mail and failed or neglected to remedy within **fifteen (15)** days, and the Lessee agrees upon demand to reimburse the Lessor for all expenses incurred by the Lessor in correcting said breach or default.

19. Holdover. In the event Lessee holds over beyond the expiration of the Term herein or beyond the date of any such

termination, such holding over shall be from month-to-month only, subject to all of the terms and conditions of this Lease, but shall not be a renewal hereof nor a waiver of any breach of conditions or covenant, and the rent to be paid therefor shall be at the rate then prevailing under the terms of this Lease.

20. **Fire Prevention Regulations.** Lessee shall at all times comply with all applicable laws and ordinances pertaining to fire regulations, and shall furnish and keep, at Lessee's sole expense, adequate fire extinguishers in sufficient numbers and in convenient and accessible places upon said Lease Premises, charged and ready for immediate use, as required by said fire regulations and applicable laws or ordinances.

21. **Conduct of Business.** Lessee agrees to conduct its operations using modern and practical techniques and equipment available in order to reduce to a minimum the emanation of fumes, odors and noises.

22. **Security.** Lessee shall be responsible for the security of the Leased Premises and all improvements and personal property located thereon. Lessor shall have no responsibility to Lessee or any of Lessee's customers, guests and/or invitees for security of any persons and/or property located on the Leased Premises.

23. **Signs.** Lessee agrees not to erect or display, or permit to be erected or displayed, any exterior sign or advertising matter of any kind on the Leased Premises without first obtaining the written consent of Lessor.

24. **Permits, Rules and Regulations.** Lessee agrees to obtain at Lessee's expense all necessary licenses and permits for the construction and operation of the Leased Premises. Further, with respect to the use of the Leased Premises and/or the public areas of the Kingman Airport, Lessee agrees to observe, obey and abide by all applicable laws, field rules and other regulations which are now or may hereafter be imposed or promulgated by Lessor, the Federal Aviation Administration, or any other government agency having jurisdiction over the subject matter, and which relate to the common and joint use of Airport facilities and the maintenance and conduct of all its operations.

25. **Inspection of Books.** In order to ensure that Lessor may confirm the figures provided by Lessee in connection

with the calculation of the Additional Rent, Lessee agrees that Lessor may, during reasonable times and hours, inspect Lessee's books relating to Lessee's operations at the KINGMAN AIRPORT. Lessee further agrees to furnish Lessor, within ten (10) days after Lessor's written request, a copy of Lessee's income and expense statements, operating summaries, flight logs and/or other reports or information reasonably requested by Lessor relating to Lessee's operations at the KINGMAN AIRPORT.

26. Application Fee. Lessor and Lessee acknowledge that Lessee has paid to Lessor a non-refundable Lease Application Fee in the amount of Two Hundred Fifty Dollars (\$250.00). Said Lease Application Fee is in addition to any rent and/or expenses owed by Lessee under the terms of this Lease. The Lease Application Fee is intended by the Lessor and Lessee as reimbursement to Lessor for its reasonable costs and expenses incurred prior to the execution date of this Lease.

27. Continuity. This Lease and each and all of the covenants, obligations and conditions hereof shall inure to the benefit of and bind the Lessor and Lessee respectively, their heirs, personal representatives, executors, administrators, successors and assigns.

28. Paragraph Headings. The paragraph headings contained herein are for convenience and reference and are not intended to define or limit the scope of any provision of this Lease.

29. Applicable Law. This Lease shall be interpreted and enforced according to the laws of the State of Arizona. Any civil actions relating to this Lease shall be brought and maintained in the Superior Court of Mohave County, Arizona.

30. F.A.A. Provisions.

A. The Lessee, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that in the event facilities are constructed, maintained or otherwise operated on the Leased Premises for a purpose for which a Department of Transportation program or activity is extended or for another purpose involving the provision of similar services or benefits, the Lessee shall maintain and operate such facilities and services in compliance

with all other requirements imposed pursuant to Title 49, Code of Federal Regulations, DOT, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

B. The Lessee, for itself, its personal representatives, successors in interest and assigns, as a part of the consideration hereof, does hereby covenant and agree as a covenant running with the land that (1) no person on the grounds of race, color or national origin shall be excluded from participation in, denied the benefits of, or be otherwise subjected to discrimination in the use of said facilities, (2) that in the construction of any improvements on, over or under such land and the furnishings of services thereon, no person on the grounds of race, color or national origin shall be excluded from participating in, denied the benefits of, or otherwise be subjected to discrimination, (3) that the Lessee shall use the Leased Premises in compliance with all other requirements imposed by or pursuant to Title 49, Code of Federal Regulations, Department of Transportation, Subtitle A, Office of the Secretary, Part 21, Nondiscrimination in Federally-Assisted Programs of the Department of Transportation - Effectuation of Title VI of the Civil Rights Act of 1964, and as said Regulations may be amended.

C. That in the event of breach of any of the above nondiscrimination covenants, Lessor shall have the right to terminate the Lease and to re-enter and repossess said land and the facilities thereon, and hold the same as if said Lease had never been made or issued. This provision does not become effective until the procedures of 49 CFR Part 21 are followed and completed, including expiration of appeal rights.

D. Lessee shall furnish accommodations and/or services on a fair, equal and not unjustly discriminatory basis to all users thereof and it shall charge fair, reasonable and not unjustly discriminatory prices for each unit of service, PROVIDED THAT the Lessee may be allowed to make reasonable and nondiscriminatory discounts, rebates or other similar types of price reductions to volume purchasers.

E. Noncompliance with Provision D. above shall constitute a material breach thereof and, in the event of such noncompliance, the Lessor shall have the right to terminate this Lease and the estate hereby created without liability therefor or,

at the election of the Lessor or the United States, either or both said governments shall have the right to judicially enforce these Provisions.

F. Lessee agrees to insert the above five provisions in any Lease by which said Lessee grants a right or privilege to any person, firm or corporation to render accommodations and/or services to the public on the Leased Premises.

G. Lessee assures that it will undertake an affirmative action program as required by 14 CFR Part 152, Subpart E, to insure that no person shall on the grounds of race, creed, color, national origin or sex be excluded from participating in any employment activities covered in 14 CFR Part 152, Subpart E. Lessee assures that no person shall be excluded on these grounds from participating in or receiving the services or benefits of any program or activity covered by this subpart. Lessee assures that it will require that its covered suborganizations provide assurances to the Lessee that they similarly will undertake affirmative action programs and that they will require assurances from their suborganizations, as required by 14 CFR 152, Subpart E, to the same effort.

H. Lessor reserves the right to further develop or improve the landing area of the Airport as it sees fit, regardless of the desires or view of the Lessee, and without interference or hindrance.

I. Lessor reserves the right, but shall not be obligated to the Lessee, to maintain and keep in repair the landing area of the Airport and all publicly-owned facilities of the Airport, together with the right to direct and control all activities of the Lessee in this regard.

J. This Lease shall be subordinate to the provisions and requirements of any existing or future agreement between the Lessor and the United States, relative to the development, operation or maintenance of the Airport.

K. There is hereby reserved to the Lessor, its successors and assigns, for the use and benefit of the public, a right of flight for the passage of aircraft in the airspace above the surface of the Leased Premises. This public right of flight shall include the right to cause in said airspace any noise

inherent in the operation of any aircraft used for navigation or flight through the said airspace or landing at, taking off from or operation of the Kingman Airport.

L. Lessee agrees to comply with the notification and review requirements covered in Part 77 of the Federal Aviation Regulations in the event future construction of a building is planned for the Leased Premises, or in the event of any planned modification or alteration of any present or future building or structure situated on the Leased Premises.

M. The Lessee, by accepting this Lease, expressly agrees for itself, its successors and assigns, not to erect nor permit the erection of any structure or object, nor permit the growth of any tree on the land leased hereunder above a mean sea level elevation of 3,520 feet. In the event the aforesaid covenants are breached, the Lessor reserves the right to enter upon the Leased Premises and to remove the offending structure or object and cut the offending tree, all of which shall be at the expense of Lessee.

N. The Lessee, by accepting this Lease, agrees for itself, its successors and assigns, not to make use of the Leased Premises in any manner which might interfere with the landing and taking off of aircraft from the Kingman Airport or otherwise constitute a hazard. In the event the aforesaid covenant is breached, the Lessor reserves the right to enter upon the Leased Premises and cause the abatement of such interference at the expense of Lessee.

O. It is understood and agreed that nothing herein contained shall be construed to grant or authorize the granting of an exclusive right within the meaning of Section 308a of the Federal Aviation Act of 1958 (49 U.S.C. 1349).

P. This Lease and all the provisions hereof shall be subject to whatever right the United States Government now has or in the future may have or acquire, affecting the control, operation, regulation and taking over of said Airport or the exclusive or nonexclusive use of the Airport by the United States during the time of war or national emergency.

31. Eminent Domain.

A. If at any time during the term of this Lease the whole of the Leased Premises, or so much thereof as to render the balance unusable for the intended use of Lessee as said use is defined herein, shall be taken for any public or quasi-public use, under any statute, or by right of eminent domain or by conveyance in lieu thereof, then, in such event, when title shall have been taken thereunder of the Leased Premises by the condemning authority, the term hereby granted, and all right of the Lessee hereunder, shall immediately cease and terminate and the rent shall be apportioned and paid to the time of such termination. Lessor reserves to itself, and Lessee assigns to Lessor all rights to awards or damages accruing on account of any such taking or condemnation or by conveyance in lieu thereof, or by reason of any act of any public or quasi-public authority for which awards or damages are payable, except as to such awards or damages as are set forth under Subparagraph B hereinbelow, provided that they are specifically defined by the condemning or awarding authority.

B. Lessee hereby assigns to Lessor any and all claims which Lessee might otherwise prosecute in its own name and on its behalf, under applicable laws or regulations at the time thereof, for loss or damage sustained by Lessee for the value of leasehold improvements installed by Lessee at Lessee's cost, Lessee's fixtures and equipment, and any removal or relocation expenses resulting from such taking.

C. Lessee agrees to execute such instruments of assignment as may be required by Lessor, to join with Lessor in any petition for the recovery of awards or damages, if so requested by Lessor, and to turn over to Lessor any such awards or damages that may be recovered in any such proceeding.

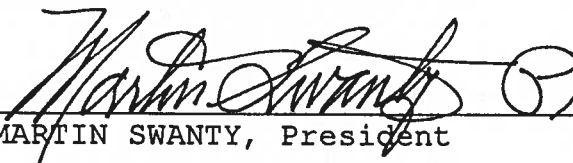
32. Restrictive Covenants. The parties acknowledge that certain restrictive covenants limiting the use of the Leased Premises have been placed upon the Leased Premises by Lessor, Mohave County and/or the City of Kingman. Said restrictive covenants were filed in the Mohave County Recorder's Office on July 22, 1980, in Book 646, Pages 767-781; the First Amended Restrictive Covenants were recorded on November 28, 1989, in Book 1632, Pages 443-462; and the Second Amended Restrictive Covenants were recorded on November 15, 1990, in Book 1819, beginning at Page 961. Lessee hereby acknowledges the legitimacy of said restrictive covenants and agrees to adhere to all terms thereof.

IN WITNESS WHEREOF, the respective parties hereto have executed this Lease as of the day and year first above written.

Lessor:



KINGMAN AIRPORT AUTHORITY, INC.,
an Arizona corporation

By


MARTIN SWANTY, President

Lessee:

AN AFFILIATE
KRMC- GUARDIAN AIR, a division of Flagstaff
Medical Center, ~~an~~ ^{AND KINGMAN REGIONAL MEDICAL CENTER} Arizona non-profit
corporations.

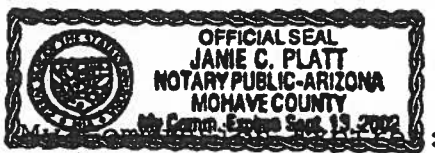



By


LARRY CAPEK, ~~Vice~~ President

STATE OF ARIZONA)
) ss.
COUNTY OF MOHAVE)

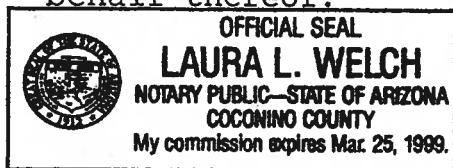
The foregoing Lease was subscribed and sworn to before me, the undersigned notary public, this 24th day of MARCH, 1999, by MARTIN SWANTY, President of KINGMAN AIRPORT AUTHORITY, INC., on behalf thereof.



Jamie C Platt
Notary Public

STATE OF ARIZONA)
) ss.
COUNTY OF Coconino)

The foregoing Lease was subscribed and sworn to before me, the undersigned notary public, this 11th day of March, 1999, by LARRY CAPEK, Vice President of GUARDIAN AIR, a division of Flagstaff Medical Center, an Arizona non-profit corporation, on behalf thereof.



Laura L. Welch
Notary Public

My Commission Expires:
3.25.99